



LOUISIANA DEPARTMENT OF INSURANCE  
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**DIRECTIVE 195**

**February 27, 2006**

**NOTICE TO ALL PROPERTY AND CASUALTY INSURERS**

**RE: EXTENSION OF TIME PERIOD FOR INSURED TO  
EFFECTUATE REPAIRS TO HURRICANE DAMAGED PROPERTY  
AND RECEIVE FULL RECOVERY FOR REPLACEMENT COSTS**

Due to the devastation inflicted upon Louisiana by Hurricane Katrina and Hurricane Rita, and following the issuance of Emergency Rule 15 on September 20, 2005, Emergency Rule 19 on October 26, 2005, and Emergency Rule 23 on December 30, 2005, concern has arisen with regard to the insureds entitlement to receive full recovery for the replacement costs for the insured property covered by the policy. It has been brought to the attention of the Commissioner of Insurance ("Commissioner") of the Louisiana Department of Insurance ("Department") that some insurers may attempt to not make an otherwise required payment to the insured for the replacement costs for damages covered by the policy by attempting to impose upon the insured the obligation to effectuate the necessary repairs to the insured property within 6 months of the date of the claim.

This potential action by an insurer may be utilized as the vehicle which compels the insured to effectuate the timely repairs (i.e. within 6 months) to the insured property before the insurer is obligated to make the additional payment to the insured of the replacement costs for damages covered by the policy. Thus, the Commissioner has determined that while 6 months has not yet elapsed since Hurricane Katrina and/or Hurricane Rita caused property damage in Louisiana, to the extent that an insurer may attempt to take such action, this action would begin to occur in the near future.

There have been numerous requests from insureds and insurers regarding the need for the Commissioner to provide guidance and interpretation relative to the payment by insurers to insureds for the replacement costs for damages covered by the policy relative to claims made from damages caused by Hurricane Katrina and/or Hurricane Rita. These hurricanes have severely impacted the ability of insureds to contract with building contractors in order to effectuate the necessary repairs to insured property. The Commissioner has determined that building contractors are overwhelmed with work due to Hurricane Katrina and Hurricane Rita and that building contractors may simply not be able to effectuate the necessary repairs to insured property within a 6 month time frame that some insurers may attempt to use as a deadline.

This potential action by some insurers would be contrary to the purpose and intent of Emergency Rule 15, Emergency Rule 19 and Emergency Rule 23. The Commissioner has determined that it would be in the best interests of all insureds and insurers in the state of Louisiana to provide interpretation and guidance on this issue.

Directive 195 is issued to clarify the issues relative to the payment that an insured may be entitled to receive from an insurer for the replacement costs for damages covered by the policy for property damaged by Hurricane Katrina and/or Hurricane Rita. All insureds and insurers are to conduct themselves in accordance with the underlying purpose and intent of the requirement that the insured is entitled to recover from the insurer the full amount of the replacement costs for damages covered by the policy for any claim filed relative to damages caused by Hurricane Katrina and/or Hurricane Rita without the potential imposition by the insurer of a 6 month time period to effectuate the necessary repairs to the insured property. As such, insureds and insurers are to comply with the interpretation and guidance provided herein by Directive 195.

Accordingly, I hereby issue Directive 195:

1. Any insurers who may attempt to impose upon insureds a 6 month time period within which insureds may be required to make the necessary repairs to the insured property or the insurers would be relieved of any obligation to pay for the replacement costs for damages covered by the policy shall be, and they are hereby, prohibited from taking such action. Thus, to the extent that it may be applicable, and in compliance with Emergency Rule 15, Emergency Rule 19 and Emergency Rule 23, all insureds are to have an additional 6 months, or a period of at least one (1) full year from the date of the claim for damages caused by Hurricane Katrina and/or Hurricane Rita, within which to recover the replacement costs for damages covered by the policy to which the insured may be entitled.
2. To the extent that it may be applicable, insurers are entitled to continue to refrain from making the payment to their insured for the replacement costs for damages covered by the policy until the insured has adequately verified to the insurer that the necessary repairs have been effectuated to the insured property that was the subject of the claim for damages caused by Hurricane Katrina and/or Hurricane Rita.
3. Any such insurers are entitled to request from their insured a status report as to the repairs to be made to the insured property. However, such status reports may not be requested more often than once a month.
4. All insurers are to recognize the severe impact that Hurricane Katrina and Hurricane Rita has had upon the ability of an insured to contract with a building contractor to effectuate the necessary repairs to the insured property and that building contractors may be required to stage repairs to the insured property in such a manner that the completion of all repair work may take three or four times the typical amount of time as would have been the case prior to Hurricane Katrina and Hurricane Rita.

5. All insurers are prohibited from taking any action contrary to Emergency Rule 23 relative to the cancellation or non-renewal of an insured that is entitled to the protection of Emergency Rule 23.

6. The Commissioner reserves the right to further extend the protection of Directive 195 depending upon the ability of building contractors to have appropriate access to materials and labor, as well as adequate time, to effectuate the necessary repairs to the insured property.

7. All insurers are hereby directed to immediately bring your practice into compliance with the unequivocal purpose and intent of Directive 195 and the guidance, interpretation and application set forth in Directive 195. Please be governed accordingly.

Baton Rouge, Louisiana this 27th day of February, 2006.

BY: \_\_\_\_\_

  
JAMES J. DONELON  
COMMISSIONER OF INSURANCE